MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

BSM3614 – STRATEGY

30th May, 2018
09:00 A.M – 12:00 P.M
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SEVEN (7) pages** (including the cover page) only.

2. Answer **ALL** questions in SECTION A, and **ANY ONE** from Section B.
   The marks distributions are given in parentheses.

3. Please provide all your answers in the Answer Booklet provided.

SECTION A - Answer ALL Questions. (Total 70 marks)

QUESTION 1

Digital Disruption for Europe's Hospitality, and Shipping Sectors
Alison Coleman, Forbes Business

Technology has disrupted industries such as fashion, music, travel, and education. You only have to look at companies like Snap Fashion, Spotify, Uber, and Brainly, to see how digital startups are able compete successfully with much larger organisations. Now, some new technology developments in Europe are poised to shake up a few more industry sectors.

Settle your tab by phone

The days of sitting in a restaurant waiting for the bill may soon be over, thanks to a new mobile payment app that let you keep an eye on the bill, split it at the end of the meal and pay on your smartphone without having to wait for a waiter to bring you the card machine.

It is early days for mobile payments in the hospitality sector, but take up is growing fast, and the creators of the apps are attracting investor's interest. In one of the largest first round funding sessions in the UK, mobile restaurant payment app Velocity has secured $12 million in new investment from a select group of angel investors.

Founded by friends Zia Yusuf and Alex Macdonald, Velocity is used to pay restaurant bills and join loyalty schemes, and is aimed at high-end dining establishments. Many of the restaurants currently using Velocity are reporting a 14% increase in average spend from users of the app. In addition, restaurants can turn their point of payment into a point of engagement by integrating it with their own loyalty programmes.

Investors taking part in the funding round include Morgan Stanley tech committee chairman Tom Glocer, and representatives from Brevan Howard and Goldman Sachs. The funding will be used to take Velocity into international markets. Last month it acquired Canadian mobile payments app Tab Payments, accepted at over 100 restaurants in Toronto and Montreal. "Dining out is more personal and efficient for both the customer and restaurant, freeing-up waiting staff time to focus on attending to diners during service, and boosting footfall and providing feedback from every customer," said Macdonald.

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Shipshape freight rates

The traditional shipping industry is getting a shake up from Norwegian big data analytics specialist Xeneta, which describes itself as the Farecaster, Expedia and Travelocity of shipping ocean freight.

The shipping and ocean freight industries have been slow to embrace digital innovation; the majority of firms in the sector still tender using Excel sheets. With data on contracted ocean freight rates for over 60,000 global port-to-port connections, Xeneta's platform is bringing transparency to what is an incredibly volatile pricing market.

Developed in response to demand from companies of all sizes, Oslo-based Xeneta allows shippers to benchmark their prices against aggregated market indexes. This enables them to identify gaps in their freight rates and provides them with the data they need to optimize their transport costs.

In February this year, Xeneta closed a $5.3 million Series A funding round. The investment comes from previous backers Creandum, Point Nine Capital, and Alden, alongside new investor Alliance Venture, bringing the total amount raised to $8.5 million since the startup launch.

Required:

a. Based on the above article, companies have to react to changes in the marketplace to ensure their competitiveness within their industry. Identify and explain the TWO (2) major drivers of competitive landscape and discuss each of them in relation to both industries in the above article.

(10 marks)

b. What are the TWO (2) major dimensions of competitive advantage, and explain how the Europe's hospitality industry is creating and sustaining their competitive advantage?

(10 marks)

c. Discuss the competitive nature of EITHER the hospitality or shipping industry using the Porter Five Forces Model.

(10 marks)

(Total 30 marks)

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QUESTION 2

The 'Office Depot' Warning: What Could Derail M&A

Excerpt from Jeff Golman – Forbes Business

Characterized by high-profile and high-value deals, the recent mega-merger mania has left many wondering if there's any room left for an encore. As it turns out, there are four reasons that will be great for Mergers and Acquisition (M&A). However, like all encores, the dealings will be an enjoyable show for M&A – but not as momentous as the main performance.

Here's why:

Increasing antitrust scrutiny is a growing trend that will need to be watched carefully. As an example, GE dropped its bid for Electrolux after extensive litigation with the Department of Justice (DOJ). But they're not the only ones. The Federal Trade Commission (FTC) announced that they will challenge the Staples/Office Depot tie up as well. These events highlight aggressive positions that the FTC and DOJ are taking with respect to market definition and competitive effects, leading to a number of court challenges seeking to block proposed deals.

Junk bonds also had their first annual loss since the credit crisis way back in 2015, reflecting concerns that the economic expansion and accompanying stock-market boom may have an expiration date. Investors have pulled more than $36 billion from US junk and investment-grade bond funds. The debt selloff that took place, spread beyond firms hit by the energy bust to encompass much of the lowest-rated debt across the market. Junk market declines have a reputation for foreshadowing economic downturns, leaving us slightly cautious.

Another cause for concern is the general increase in credit spreads, which typically is a good indicator of issues ahead. Late last year, investors demanded that bonds from low-rated companies yield more than 700 basis points above U.S. Treasuries; the widest premium in more than three years. Increased spreads for corporate and high yield bonds could potentially be signaling an arrival of the later stages of the economic cycle. Defaults on junk-rated companies have also been rising after several years near historically low levels as more companies are getting downgraded by credit-rating firms.

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Fears about China's slowing economy, its weaker currency and volatility in its stock markets have risen to new heights this year, pummeling shares across the world, sending oil sharply lower and pushing U.S. indexes to their worst-ever start to a year. While the effects of China on the global economy are fairly predictable, the underlying effect of weaker confidence has the greatest potential to negatively impact the M&A market. And if 2008 taught us anything, it's that the absence of corporate confidence can wreak havoc on the global economy and global deal-making. It remains to be seen if these recent events will have an overwhelming impact on M&A, but it's certainly something to keep an eye on moving forward.

Amid these warning signs in key M&A indicators, deal activity was undoubtedly a phenomenon, and gives us every reason to expect another strong year for deal-making. The deal-making environment as a whole is unlikely to change dramatically, absent any surprises by the Fed, contraction in economic activity or exogenous events such as political conflict or security threats. While these events have the capacity to lessen dealmaker confidence, it's too soon to tell whether or not they will put a damper on the global M&A market's momentum. However, when macroeconomic threats such as an economic slowdown in China or plunging commodity prices, the M&A market remained steady, which could also bode well for the future.

It looks like there will be more exciting years for M&A. And while we remain cautious of the potential for an increase in global economic and political instability, we certainly look forward to bring and seeing how M&A will continue to shape the world around us.

Required:

a. Mergers and acquisition (M&A) is one of the common strategy used by companies choosing to diversify,
   i. Discuss mergers and acquisition and how are they different from each other? (8 marks)
   ii. Identify and explain at least FOUR (4) motivations and outcomes of choosing the M&A strategy (12 marks)

(20 marks)

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b. "Increasing the antitrust scrutiny is a growing trend that will need to be watched carefully."
Describe antitrust law and explain why it is a significant consideration in M&A initiatives.

(10 marks)

c. Beside the various external environments factors discussed in the article, the success of M&A initiatives is also determined by the effective execution of the strategic partnership.
Identify and explain at least four (4) problems in achieving M&A success.

(10 marks)

(Total: 40 marks)

SECTION B – ANSWER ANY ONE (1) QUESTION. (Total 30 marks)

QUESTION 1

As discussed in class, Peter Killings, in his book "Must Win Battles" emphasized critical issues throughout the strategic management planning, formulation and implementation processes.

As the CEO of an organization, and wanting to make sure that your strategic management process is successfully implemented:-

i. Identify and explain the FIVE (5) criteria in selecting your "Must Win Battles".

(15 marks)

ii. The corporate issues of Rational, Analytical and Intellectual does not always connects with the individual Personal, Motivational and Emotional issues – thus creating serious problems in implementations and achieving the strategic objectives.
Explain the approach of how you can successfully make this connection while ensuring that the current organisational business activities are not disrupted.

(15 marks)

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QUESTION 2

i. Business level strategy is all about HOW a business competes in a specific industry.
Explain the concept of business level strategy with regards to the market/industry, competition, and focus on its customers.

(15 marks)

ii. Explain the incentives for firms to use international strategies?
Identify and explain THREE (3) benefits and the associated risks firm can derive by moving into international markets.

(15 marks)

QUESTION 3

The agency perspective between owner and managers can be effectively managed to secure stakeholder's interests with structured and commitments by managers in compliance to good corporate governance.

i. and how they may be used to control and monitor managerial decisions.

(15 marks)

ii. How does corporate governance foster ethical strategic decisions and explain why it is important to top-level executives?

(15 marks)

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